

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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JUL - 7 1992

In the Matter of

Billed Party Preference
for 0+ InterLATA Calls

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Federal Communications Commission
Office of the Secretary

CC Docket No. 92-77

COMMENTS OF
THE AMERITECH OPERATING COMPANIES

ORIGINAL
FILE

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I. SUMMARY AND INTRODUCTION

The Ameritech Operating Companies¹ file the following comments supporting Billed Party Preference ("BPP") and answering the questions posed by the Commission in its Notice of Proposed Rulemaking released in this docket on May 8, 1992 ("BPP NPRM"). The Companies support BPP because it will provide a simple and uniform dialing plan that enables customers to automatically access the carrier or provider of their choice for interLATA calling card, collect and bill to third number calls. BPP will provide the additional benefit of focusing competition for operator services and payphones on customer service and price, rather than on competition for pay telephone and aggregator locations.

The Companies have consistently supported BPP since they filed their initial petition for a rulemaking on this issue in 1987.² They believe that BPP should be universally deployed on all lines, including those used by local

¹The Ameritech Operating Companies are: Illinois Bell Telephone Company; Indiana Bell Telephone Company, Inc.; Michigan Bell Telephone Company; The Ohio Bell Telephone Company; and Wisconsin Bell, Inc.

²See, Petition of the Ameritech Companies for Rulemaking on Dial "0" Exchange Access Traffic, RM 6113, filed August 7, 1987; Reply of the Ameritech Companies, RM 6113, filed October 23, 1987; Comments of the Ameritech Operating Companies, RM 6723, filed May 26, 1989; Reply Comments of the Ameritech Operating Companies, RM 6723, filed June 23, 1989; Comments of the Ameritech Operating Companies Supporting Billed Party Preference, RM-6723, filed November 22, 1991, and Reply Comments of the Ameritech Operating Companies Supporting Billed Party Preference, RM-6723, filed December 23, 1991.

exchange carrier ("LEC") for pay telephone services, private payphone operators ("PPOs") and traffic aggregators. In addition, Part 68 of the Commission's Rules should be amended to prohibit owners of customer provided equipment ("CPE") from programming their CPE to defeat BPP.

Under the Companies' vision for BPP, customers will be able to automatically access the interexchange carrier ("IC") or operator service provider ("OSP") of their choice for both 0+ and 0- calls from any line in the nation.³ BPP also will enable customers to use a line number based or industry standard format calling card (891 or Carrier Issuer Identifier [CIID]) to place a dial 0 call from any originating line.

BPP is technically feasible and can be deployed in the Companies' service area by as early as mid-1996, if the Commission promptly mandates BPP deployment. Based on current vendor estimates, the longest developmental and deployment time impacting implementation of BPP will be creating BPP functionality at Operator Services Switches ("OSSs"). The Companies estimate that this functionality can be generally available from the manufacturers in mid-year 1995. The Companies believe that they will need approximately one year after the general availability date of BPP functionality at the OSSs to complete testing and implementation at all switch locations. Although it is disappointing that BPP cannot be placed into service sooner, the Companies do not believe that BPP should be rejected on that basis. Rather, customers should be allowed to enjoy the significant benefits of BPP whenever they can be made available.

³When placing an 0+ call, customers dial 0 plus the telephone number they are calling and then use automated operator equipment to dial in the information necessary to complete a calling card, collect or bill to third number call. 0- calls are handled by an operator. 0+ and 0- calls are collectively referred to herein as ("dial 0").

In these Comments, the Companies will respond to the questions posed by the Commission in the BPP NPRM. The Companies will show that BPP will not impair the quality of service by causing unreasonable call set-up times or other significant service affecting side-effects. In addition, the Companies will establish that, although deployment of BPP will be a significant financial undertaking, the estimated costs of BPP are reasonable when compared to the benefits BPP will provide. The Companies will demonstrate that BPP is a mandatory network upgrade, the costs of which are properly recovered as an exogenous adjustment to the Companies' price indices under price caps. In addition, the Companies will show that the Commission is correct and that BPP is procompetitive and will properly focus competition on customer service.⁴

In their Reply Comments filed in December of 1991, the Companies proposed that the Commission expedite the deployment of BPP by implementing the service in two phases.⁵ In phase 1, the Commission would mandate BPP on all lines for all interLATA 0+ and 0- calls and would amend Part 68 of the Commission's Rules to preclude the defeating of BPP in CPE. The Commission also would adopt a basic service description for BPP in phase 1 that would be the basis for the industry to develop a national service description and to resolve the remaining technical issues. The Commission in addition would decide in phase 1 how BPP related costs would be handled under price caps. Phase 1 of BPP also would be used to resolve whether CIID cards would be routed based upon the first 6-digits of the cards or through LIDB queries. An order in phase 1 mandating BPP would enable the LECs to

⁴BPP NPRM at ¶ 19-24.

⁵At pp. 7-9.

go to the switch manufacturers and vendors to complete the development and deployment of BPP.

Phase 2 of BPP would be used to resolve the remaining technical issues, and to its develop enhancements to BPP that are not required for its initial deployment. The phase 2 BPP enhancements could include the handling of calls billed to foreign numbers⁶ and cards, and the handling of commercial credit cards.

II. THE BPP NPRM

In the BPP NPRM, the Commission tentatively concluded that "in concept, a nationwide system of billed party preference for all 0+ interLATA calls is in the public interest."⁷ However, the Commission sought "further comment on the costs and benefits of billed party preference and how such a system should be implemented."⁸

The Commission specifically found that BPP could benefit users of operator services by implementing the billed party's choice of carrier without complicated dialing requirements on "0" calls.⁹ The Commission noted that BPP could make operator services more "user-friendly."¹⁰ BPP would permit callers to place 0+ calls with "the knowledge that their call would be automatically handled by the OSP with which the billed party wishes to do

⁶As discussed in section III. A. 4, *Infra.*, BPP could handle calls billed to any number in the North American Numbering Plan (United States, Canada and the Caribbean countries) in phase 1, while routing of calls billed to other international numbers would be resolved in phase 2.

⁷BPP NPRM at ¶ 13. *See also* ¶ 1.

⁸*Supra.* at ¶ 1.

⁹*Supra.* at ¶ 13.

¹⁰*Supra.* at ¶ 16.

business."¹¹ BPP also would "preserve all the options that callers currently have with OSP choice."¹² In summary, the Commission found that BPP is "simpler for callers."¹³

The Commission further stated in the BPP NPRM that another advantage of BPP is that it "would focus competition in operator service toward end users" and "would redirect the competitive efforts of OSPs toward better services and lower prices to end users, as opposed to paying higher commissions."¹⁴ The Commission further tentatively concluded that BPP "might increase parity in the operator services marketplace."¹⁵ The Commission also found in the BPP NPRM that BPP "has the potential to be procompetitive, not anticompetitive."¹⁶

The Companies fully agree with the Commission's analysis of the advantages of BPP. For these reasons they urge the Commission to finalize its tentative conclusion, and mandate BPP as soon as possible.

However, the Commission seeks further comment on the "costs and benefits of billed party preference and how the system should be implemented."¹⁷ The Commission poses several questions that would provide the additional information needed so it "can mandate

¹¹*Supra.* at ¶ 16.

¹²*Supra.*, at ¶ 16.

¹³*Supra.* at ¶ 18.

¹⁴*Supra.* at ¶ 19.

¹⁵*Supra.* at ¶ 20.

¹⁶*Supra.* at ¶ 24.

¹⁷*Supra.*, at ¶ 1.

implementation of billed party preference and determine exactly how this service should be structured.”¹⁸

The Companies will provide a general service description of BPP, which will incorporate answers to the Commission’s technical and operational questions. They then will demonstrate that BPP will not impair the quality of service. The Companies next will supply their estimates of costs for BPP. The Companies then will show that BPP costs should be recovered through an exogenous adjustment to their price cap indices. Finally, the Companies will demonstrate that the Commission is correct that BPP is procompetitive and will properly focus payphone and OSP competition on customer service and price.¹⁹

III. ANSWERS TO THE COMMISSION’S QUESTIONS.

A. Service Description of BPP.

1. BPP should be mandated for all 0+ and 0- calls from all lines. Aggregators and payphone providers should not be permitted to defeat BPP through their CPE.

The following is the Ameritech Operating Companies' service description for BPP. The description has been presented, explained and justified several times and the Companies will not repeat those explanations or justifications here²⁰. Rather, the Companies will focus on answering the questions the Commission poses in the BPP NPRM.

BPP will automatically route all 0+ and 0- interLATA calls to the IC or OSP selected by the party paying for the call. To provide BPP, a new “Carrier

¹⁸*Supra.* at ¶ 25.

¹⁹*Supra.* at ¶ 19-24.

²⁰*See* Reply of the Ameritech Companies filed in RM-6113, October 23, 1987 and Comments of the Ameritech Operating Companies Supporting Billed Party Preference, RM-6721.

Identification” function would be performed to determine the preferred IC or OSP of the party being billed for the call. To perform this identification service, the LEC operator system will obtain the billing method and billing number from the caller, either verbally or through entry of the data by the caller through dialing. The preferred carrier associated with the billed number is then determined through a query to a LIDB or LIDB-like database, or through switch based routing based upon the first 6 digits of the card number for cards issued in an 891 or CIID format. After the billed party’s preferred IC or OSP is determined, the call is then routed to that IC or OSP.

BPP also could be used in lieu of access code dialing, if the Commission determines that unblocking of access code dialing is not feasible or in the public interest at some locations. The availability of BPP at these locations would provide customers a simple alternative to using the presubscribed carrier for the line.

BPP should be deployed universally on all lines and should apply to all 0+ and 0- calls.²¹ As the Commission correctly noted in the BPP NPRM, the principle benefit of BPP is that “it could simplify operator assisted dialing requirements . . . [t]his could only be true, however, if dialing requirements were uniform around the country.”²² The Commission further correctly noted that “it would seem that all 0+ calls ideally should be handled by the billed party’s carrier.”²³ The Commission went on to correctly find that a

²¹To the extent that the Companies still have non-equal access offices at the time of BPP deployment, calls that originate from those offices can be included in BPP, since the functionality for identifying the billed party’s preferred carrier and routing the call to that carrier is resident in the OSS, rather than in the end office.

²²At ¶ 31.

²³*Supra.* at ¶ 32.

uniform dialing plan for all 0+ calls would be more readily accepted and understood by consumers than a patchwork of different plans for different types of phones.²⁴

In addition, as the Companies have pointed out in their earlier pleadings concerning BPP, excluding some payphones or aggregator locations from BPP may create competitive dislocations since the competitors that did not have to use BPP could continue to route 0 calls to the owner's presubscribed carrier so they could earn commissions.²⁵

The Companies fully agree with the Commission's reasons supporting its tentative conclusion that BPP should be universally deployed. For those reasons, the Companies believe that BPP should apply with equal force to 0-calls. There is no reason why the customer paying for calling card, collect or third number billed calls should receive disparate treatment based on whether the call is dialed on a 0- versus 0+ basis. The Companies currently provide Operator Transfer Service for 0- calls and would anticipate modifications to tariff language to support a carrier identification function consistent with BPP.

Later in these comments, the Companies will demonstrate that the cost differences between deploying BPP on some lines or for some dial 0 calls, versus deploying them on all lines and interLATA dial 0 calls are modest.²⁶ The modest cost differences are far outweighed by the benefits of universal deployment of BPP.

²⁴*Supra.* at ¶ 32.

²⁵*See*, Comments of the Ameritech Operating Companies Supporting Billed Party Preference, filed November 22, 1991 at pp. 6-7 and ft.nt. 2.

²⁶*See, Infra*, § III. C.

Vendors and aggregators also should be forbidden from defeating BPP through the converting of dial 0 calls to access code calls to the OSP selected by the aggregator or PPO for all the reasons that support universal deployment of BPP. Rather, they should be required to route dial 0 calls through BPP.

2. Customers will be notified of BPP and given an opportunity to select an OSP that is different from their presubscribed carrier.

The Companies propose to solicit BPP preferences via direct mail or bill inserts which would explain the customer's right to select a carrier for their interLATA dial 0 calls and give them a convenient opportunity to do so. However, since the Companies expect that the vast majority of customers will desire to use their presubscribed carrier as their BPP OSP, the Companies propose to assign the billed party's presubscribed carrier as its BPP OSP, unless the customer requests otherwise. This process affords customers a convenient method to select a different BPP OSP, while not requiring them to take any action if they wish to continue the status quo on their account. This approach also helps eliminate needless administrative burdens and costs.

3. Primary Carriers Should Select Their Secondary OSPs.

The Commission asks about the assignment of a secondary or alternate OSP to a line for use when the primary OSP does not serve the area from which a call is originating. The Companies believe that the best approach is to allow the primary IC or OSP to select its alternate OSP. Since the primary ICs or OSPs will have a direct business relationship with the customer, the Companies expect that the ICs or OSPs will ensure that their customers receive high quality service at a fair price from the secondary OSPs. Because of the sophistication and bargaining power of ICs and OSPs, the Companies

believe that OSPs will be able to obtain better arrangements from secondary OSPs than customers could obtain on their own. Customer selection of a secondary OSP also would create significant added administrative burden for LECs, OSPs, ICs, and customers alike, which will result in added costs, increased errors and customer confusion.

The FCC also asks that the parties address whether OSPs can designate more than one secondary OSP. The primary OSP cannot designate different secondary OSPs in the same LIDB for calls originating in different areas of the country because the LIDB only supports one secondary designation and does not distinguish based upon the point of origination of the call. However, the primary OSP could elect to designate one OSP as its secondary OSP for billing numbers in one region and a different OSP for billing numbers in another region. If this approach is used, it still is crucial that the secondary OSP have a presence in each location where the primary carrier does not do business, or its customers will be unable to complete calls from some parts of the country.²⁷

4. The handling of foreign cards through BPP should be deferred to phase 2 of BPP.

The Commission asks the parties to address the handling of foreign issued calling cards and calls billed to lines in foreign countries. Validation data associated with telephone numbers in the North American Numbering Plan ("NANP"), which includes the United States, Canada, and the Caribbean countries, is stored in a LIDB in North America. Hence, the Companies believe that the preferred OSP could be determined from LIDB for calls billed

²⁷For example, an OSP who only serves the Midwest should not select a secondary OSP that only serves the West Coast, since its customers would be unable to originate dial 0 calls when they visited the East Coast.

to any number in the NANP. At least initially, calls to be billed to non-NANP numbers could default to the presubscribed carrier for the originating line. This issue could then be dealt with as a long-term issue that should be examined at an international level during phase 2 of BPP, but would not hold up the rest of BPP. This is particularly true since other foreign countries and carriers may not elect to support BPP.

5. Commercial credit cards can be accommodated in phase 2 of BPP.

The Commission also asks the parties to discuss the handling of commercial credit cards through BPP. As the Companies have previously stated, they strongly support the incorporation of commercial credit card handling capabilities into BPP.²⁸ However, BPP should not be delayed while the complex issues surrounding commercial credit cards are resolved by the industry and the credit card companies.

The Companies envision a number of options that could be available to commercial credit card issuers. For example, the commercial credit card issuer could elect to have the LECs:

- a. Query the card issuer's database to determine the customer's preferred OSP.
- b. Route all calls associated with a particular commercial credit card to one IC or OSP designated by the card issuer or card issuer bank.
- c. Route all calls to the presubscribed IC for the line from which the call originates.

²⁸Reply Comments of the Ameritech Operating Companies Supporting Billed Party Preference, at p. 9.

Because of the highly competitive nature of the credit card business, the Companies believe that commercial credit card issuers will desire to retain the goodwill of their card holders by making BPP available to them. The Companies also expect that commercial credit card issuers will wish to offer incentives for the use of their cards through BPP. For those reasons, the Companies expect that each credit card company will aggressively seek the BPP options that best serve its customers. In the meantime, BPP would not interfere with customers' ability to use commercial credit cards as they are handled today. These options include Masterphone and Visaphone programs, that utilize access code dialing, and the American Express/AT&T program, that associates a CIID number with an American Express account number.

6. Multiple PICs should not be supported through BPP.

The Commission asks the parties to address the feasibility of performing 14-digit carrier identification screening in LIDB. It appears that the Commission is interested in this option because it would enable LECs to support multiple cards for the same line, thereby permitting ICs and OSPs to retain their own line-number based cards after BPP is implemented.²⁹

Supporting a 14-digit level in LIDB is technically feasible, although it would require modifications that would take some time to implement. However, when considering the desirability of supporting multiple PICs for the same line, the Commission should seriously consider the significant ongoing costs of administering 14-digit multiple carrier numbers and multiple PINs, and the customer confusion that will likely result if this capability is deployed.

²⁹BPP NPRM ft nt 19.

Administration of multiple carrier selections for the same line would require conflict resolution and coordination procedures that are far more complex and sophisticated than are in use today under presubscription. Issues would arise as to when and how cards can be changed or removed from LIDB, who can remove or change them (*i.e.*, the LIDB administrator, the card issuer or the customer), what authorization is required, who can determine if and when each card is blocked due to exceeding fraud indication thresholds, and who would set the fraud thresholds in the first place. Different card issuers also would expect that their information in LIDB could be partitioned or screened from competitors. Some card issuers likely would desire to receive their own separate billing detail, so they can bill calls associated with their PIN, rather than have them billed by the LEC.

The costs of resolving these issues arising from multiple PICs have not been calculated by the Companies. However, these costs are expected to be very substantial. Moreover, the Companies have received no indication of any demand for multiple PINs associated with the same line. As a result, the increased burdens and costs associated with 14-digit identification cannot be justified when measured against the meager potential customer benefit of multiple PINs.

B. BPP Will Not Impair Quality.

1. BPP will not require customers to repeat information to two operator systems.

The Commission asks that the parties address whether BPP will require customers to repeat information to two operator systems. The answer is that this issue is being addressed and the concern can be minimized. As the

Commission correctly notes in the BPP NPRM,³⁰ the need for customers to provide the same information to two operator systems will be obviated with the deployment of OSS7 at the LEC Operator Services Switches³¹ and Automated Alternate Billing Services ("AABS"). When AABS (which automates the handling of collect and third number calls) and OSS7 are deployed, the Companies will be able to use OSS7 to signal forward the billing method and number to the OSPs. It should be noted that the current version of AABS will need to undergo significant modifications to operate in the BPP environment. These modifications would include, for example, upgrades in software so BPP calls are delivered to the preferred IC or OSP, instead of having automation performed on the back-end of the call for collect and third numbering billing acceptance as is done for intraLATA calls handled by the LEC. The costs of these modifications are reflected in the costs of deploying BPP, which are discussed later in these comments.³² Deployment of OSS7 at LEC end offices is not required to eliminate the need for repetition of information to different operator services systems.

The Companies estimate that the OSS7 functionality required to support BPP in their OSSs and end offices can be available in late 1994 or early 1995. As a result, the Companies expect that the deployment of these

³⁰at ¶ 26.

³¹There are two Technical Advisories for OSS SS7 signaling which describe requirements of operator services signaling using SS7 from an end office to a LEC OSS (Operator Services Signaling Using Signaling system No. 7: Switching System Generic Requirements, TA-NWT-001277, Issue 1, March 1992.), and from a LEC OSS to an IXC OSS (Operator Services Signaling Using Signaling System No. 7: Operator Services Systems Generic Requirements, TA-NWT-001276, Issue 1, March 1992.) OSS7 Technical Requirements are planned to be published to the industry in late 1992.)

³²*Infra.* § III. C.

capabilities can coincide with the installation of BPP software in the Companies' OSSs.

The Commission also asks if there is CPE capable of storing and transmitting the necessary number and billing information to avoid the need to repeat information. The answer is that the Companies have not been approached by any vendor proposing any such CPE based options.

2. BPP will not significantly adversely affect the time required to complete Operator Services calls.

The Commission asks for comment on whether BPP will increase access times. As the Commission correctly notes in the BPP NPRM, SS7 will eliminate any increase in access times.³³ The Companies agree with Bell Atlantic's assessment that:

Today, call processing time for collect, third number and calling card calls is between sixteen and twenty seconds. In late 1990, when the telephone companies will first be able to offer BPP, the service will increase call processing time for these calls by one-half to four seconds to make a database query for routing information. This delay will be eliminated when the telephone companies have deployed Common Channel Signaling System 7 ("SS7") at the tandem and the operator switch and have established SS7 interfaces with the interexchange carriers.³⁴

The Companies believe that deployment of OSS7 in the Operator Services Switches and AABS are an integral part of the BPP service and plan to deploy those capabilities as soon as feasible after BPP is mandated.

In addition, when considering the issue of delays in access times for BPP, the Companies agree with the Commission that it should keep in mind that callers also will save time with BPP, since they will not have to find and

³³at ¶ 27.

³⁴Bell Atlantic April, 1989 Petition for Rulemaking at pp. 5-6.

dial access codes and will be receiving call dialing instructions while the call is being set-up.³⁵

C. The Costs of BPP Are Manageable.

The Companies will project the costs for BPP based upon three possible scenarios:³⁶

- Scenario 1. All InterLATA and 0+ and 0- calls from every line.
- Scenario 2. All InterLATA payphone traffic.
- Scenario 3. All InterLATA 0+ traffic from all lines.

The following BPP cost estimates are based upon incremental, forward looking costs which have been broken into two categories--annual and one-time expenses.

	SCENARIO 1	SCENARIO 2	SCENARIO 3 ³⁷
Annual Costs	\$29,281,000	\$25,164,000	\$20,921,000
One-time Expenses	\$52,470,000	\$48,011,000	\$50,787,000
Unit Costs	\$0.16	\$0.18	\$0.14

The unit costs reflect the one-time expenses amortized over the first five years of service, plus the annual costs over the same period. The total is

³⁵BPP NPRM at ¶ 27.

³⁶While the FCC has requested cost information on a fourth scenario of all interLATA public phone traffic, including traffic from hotel rooms and other aggregator locations, the Companies have no data on interLATA call volumes, and limited data on intraLATA call volumes from such locations upon which a demand estimate might be based. The reason that data on aggregator traffic is not available is that there is nothing unique regarding how calls originated from aggregator locations are recorded versus those originated from residence or business lines. An added unquantified cost would result from the deployment of BPP at only payphone and aggregator locations to implement network changes that would uniquely identify calls originating from aggregator locations so that BPP treatment could be applied by the LEC OSS.

³⁷Scenario 3 understates the gross costs to OSPs and ICs for dial 0 traffic, since it requires that 0- calls continue to be handled by LECs as they are today through Operator Transfer Service. The Companies' Operator Transfer Service rate is \$.22 per call.

divided by the levelized demand for BPP. The annual cost includes salaries for additional operators required to handle the added traffic resulting from BPP, the costs of LIDB database queries for BPP, and the annual costs associated with the network and reconfiguration capital investments.

The one-time expenses of BPP include the costs of upgrades at end offices and Operator Services Switches (OSSs) required to support BPP and the resulting additional traffic to the Companies' OSSs. The one-time expenses also represent the costs of one-time modifications to LIDB, billing system development, costs of training service representative and operators, and replacement of instruction cards on the Companies' public telephones. The costs arising from adding OSS7 at the OSSs and the installation of AABS functionalities and software also are reflected in the one-time expense estimates.

The one-time expense estimates for BPP also reflect an estimate of \$13.1 million for customer notification and education. The cost estimate for notice and education is based upon the Companies' proposal discussed earlier,³⁸ which would entail a solicitation of calling card holders and a bill insert to all residential and business subscribers. However, the cost of notice could be increased several fold above the Companies' estimate, if the Commission orders a formal balloting process. The estimate of notice and education costs also is based upon the assumption that the Commission will allow each primary IC or OSP to select its secondary OSP. If the Commission were to choose to require customers to select their own secondary OSPs, the annual and one-time expenses would substantially increase.

³⁸*Infra.* § III. A. 2.

The above cost estimates are based upon the best available information. However, software required to enable end offices and OSSs to accommodate BPP has not been developed or priced by the vendors. The Companies' have obtained planning estimates from some vendors, but they are not final or binding. In cases where the Companies have not been able to obtain planning estimates, the above cost estimates are based on projections of the costs of these features based upon the Companies' prior experience with similar capabilities.

The ultimate level of BPP costs also will be affected by the degree of direct operator involvement in BPP calls. The Companies' cost estimates incorporate a projected split between mechanized and operator handled calls based on their intraLATA experience on the acceptance of operator automation. For intraLATA calls originated in the Companies' region, more than 90% of all calling card calls are fully mechanized. For collect and third number billed calls, approximately 70% are fully mechanized. The Companies project that this split will hold true for BPP.

Another factor that will affect the ultimate BPP unit costs is the levelized demand forecasts. Based upon current information, the Companies have estimate approximate demand of 278 million BPP calls for Scenario 1, 218 million for Scenario 2 and 255 million for Scenario 3 during the first five years of service. However, the final configuration of BPP and other factors that will become more apparent as BPP is implemented may affect the final demand estimates. The Companies desire input directly from the ICs and OSPs on anticipated 0+ and 0- BPP interLATA call volumes originating in the Ameritech region.

D. There Are Cost Offsets To BPP.

In considering the reasonableness of the costs of BPP, the Commission should consider cost savings to ICs, OSPs and premises owners that will result from BPP. The cost offsets resulting from a dial 0 marketplace centered on BPP will include the following factors:

1. Some reduction in the amount of commissions paid by ICs and OSPs to premises owners for interLATA calls. The Companies' experience indicates that these commission rates often exceed 20%, which equates to approximately \$.45 per message -- even more when the interLATA carrier charges more than the market price.³⁹ The Companies support the concept that premises owners are entitled to compensation for the "floor space" they provide to facilitate interLATA calling, just as they are entitled to compensation for dial-around traffic. However, based upon the methodology adopted for dial-around, the Companies believe that this compensation will be less than the prevailing commission levels of 20% and more.
2. Since the business relationship between ICs/OSP and premises owners will be different, there will be less need to incur the expenses arising from marketing interLATA operator services directly to premises owners.
3. Dial 0 presubscription is essentially eliminated by BPP. Costs associated with that process also are essentially eliminated by BPP, including those costs associated with abuses of the presubscription process, such as "slamming".

³⁹The Companies are made aware of current commission offerings of ICs/OSP in a variety of ways. Some information comes from the carrier itself as part of teaming arrangements which exist today to serve particular customers. In other instances premises owners tell the Companies what commissions ICs/OSP are offering. The Companies consider the specific details of this information to be proprietary.

4. Since BPP will allow callers to access the IC or OSP of their choice by simply dialing "0", it may not be necessary to require all premises owners to unblock access code dialing.

5. Transfer of some operator functions from ICs and OSPs to LECs. Under BPP, the LEC, rather than the OSPs, will determine the billing method and billing number from the caller as part of the carrier identification process, thus reducing the OSPs' operator handling time and costs.

6. The substantial costs required to promote a multiplicity of access codes can be significantly reduced under BPP, since the majority of callers already know how to dial "0+" or "0-".

7. Instances where customers question and even refuse to pay for certain IC/OSP calls will be reduced under BPP, since the customers will have a formal business relationship with the service provider. Today, considerable time and resources are expended by all parties -- customers, LECs, ICs and OSPs -- handling claims and making adjustments on dial 0 calls. Not only is it expected that the time required to perform these activities will be reduced under BPP, but the actual amount of uncollectibles will decline.

While the Companies cannot estimate the value of these cost offsets, they believe that for some ICs and OSPs the financial impact of BPP may be a net gain.

E. BPP Costs Should Receive Exogenous Treatment.

The Commission concludes in the BPP NPRM that "it would appear that billed party preference would qualify as a 'new' service under LEC price caps."⁴⁰ Upon further review of this issue, and in order to be consistent with

⁴⁰At n. 30.

the Commission's treatment of 800 database,⁴¹ the Companies believe that BPP should be classified as a mandatory network upgrade to enhance existing switched access services. As such, the costs of BPP qualify for and should receive exogenous treatment under price caps. If BPP is deployed, then under the terms of the Commission's BPP NPRM, it will be deployed because it is "mandated" by the Commission.⁴² In addition, as detailed above, BPP results in very substantial deployment costs that would not be reflected in the Companies' price cap indices or factored into any adjustments to them in the absence of exogenous treatment. As a result, BPP clearly qualifies for exogenous treatment under the Commission's price caps decisions.⁴³

F. The Commission is Correct That BPP Is Procompetitive and Will Focus Competition On Customer Service and Low Rates.

In the BPP NPRM, the Commission correctly concludes that BPP appears to have the "potential to be procompetitive, not anticompetitive."⁴⁴ The Commission also noted that BPP "would focus competition in operator services towards end users."⁴⁵ The Commission noted that BPP "would redirect the competitive efforts of OSPs toward providing better services and lower prices to end users, as opposed to paying higher commissions."⁴⁶ The Commission also correctly notes that BPP "might increase parity in the

⁴¹See, *In the Matter of Provision of Access for 800 Service*, CC Docket 86-10, Memorandum Opinion and Order and Second Supplemental Notice of Proposed Rulemaking, released September 4, 1991 at ¶ 61-63 and ft.nt. 80.

⁴²*Supra.* at 13.

⁴³See, Second Report and Order, CC Docket No. 87-313, released October 4, 1990 at ¶ 166-190.

⁴⁴At ¶ 24.

⁴⁵*Supra.* at ¶ 19.

⁴⁶*Supra.* at ¶ 19.

operator services marketplace."⁴⁷ The Companies fully agree with the Commission's tentative conclusions that BPP is procompetitive and will focus competition on better services and prices for end users.

The Companies believe that OSPs that claim that BPP is anticompetitive have it backward. BPP will for the first time create a truly competitive marketplace, which will be based on consumer choice. The Commission therefore should promote true competition and the public interest through adoption of BPP and not simply protect the vested interests of some OSPs.

ICs and OSPs that depend on charging higher than average rates and "buying" locations through the payment of extraordinary commission rates simply will have to shift the focus of their effort to customer service and competitive rates under BPP. In addition, many smaller ICs who currently cannot handle dial 0 traffic because they lack a national presence will find that under BPP, as proposed by the Companies, they will have the opportunity for participation through the use of a secondary OSP.

In the BPP NPRM, the Commission specifically inquires into potential compensation for traffic handled through BPP from payphones.⁴⁸ The Commission also notes that it is considering a mechanism for compensating payphone providers for dial around traffic and that this or some other mechanism could be used to compensate payphone providers.⁴⁹ Since it issued the BPP NPRM, the Commission has adopted a plan for compensating

⁴⁷*Supra.* at ¶ 20.

⁴⁸At ¶ 28.

⁴⁹*Supra.* at ¶ 28.